HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: First Quarter 2012

Housing Market Forecast

Figure 1

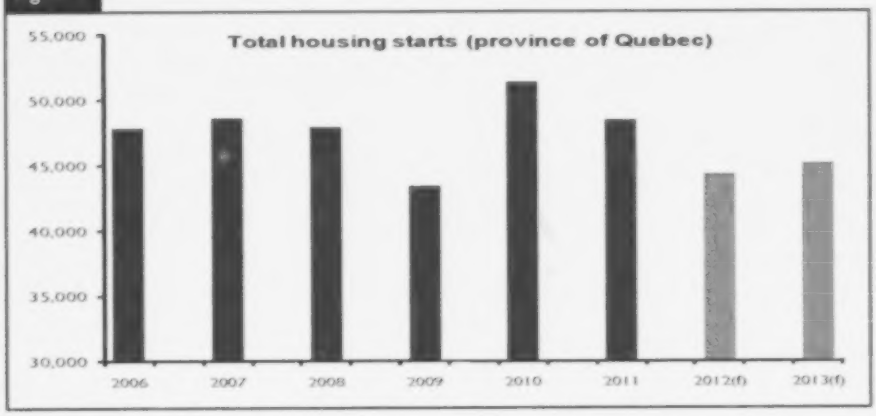
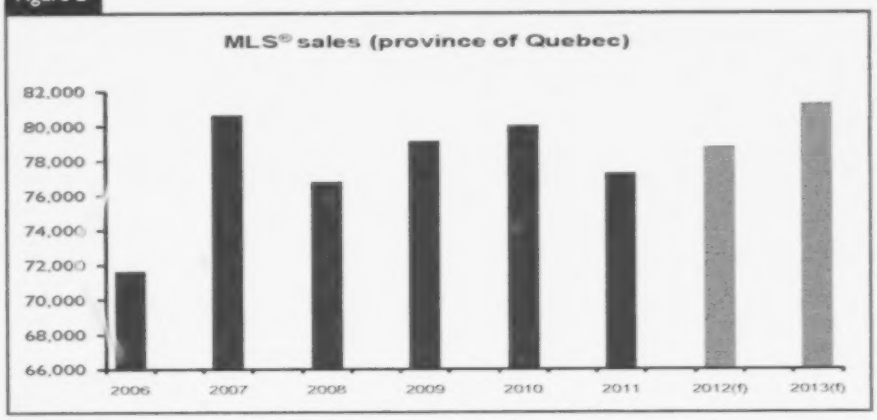


Figure 2



[1] The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of January 18, 2012.

Overview[1]

The impact of slow economic growth will be compensated by still favourable borrowing conditions and demographic factors, which will support new home construction in 2012 and 2013.

The current climate of uncertainty regarding economic prospects abroad will lead to less vigorous household spending and private investment in the province. Due to these factors, it is expected that provincial GDP will grow by 1.8 per cent in 2012 and by 2.0 per cent in 2013. This environment, combined with a more balanced resale market, will lessen the demand for new homes.

However, in the coming years demographic factors will sustain the province's housing markets and change their complexion. While strong net migration to the province will continue to have a positive impact on the rental and resale markets, levels are expected to remain stable over the coming years as no significant change in immigration targets is expected. Population ageing, on the other hand, will have a growing impact

on the dynamics of the housing market as older households re-enter the market in response to their changing housing needs.

Mortgage Rates

The latest announcement by the Bank of Canada (January 17, 2012) indicates that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for the medium term. The Bank has been noting that continuing global economic and financial uncertainty, particularly in Europe, continues to be a concern. As a result, the Bank reports that there is no need to modify its stance of monetary policy. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain near historically low levels.

Mortgage rates		
1 Year	Q4 2011	3.50
	Change from Q4 2010	0.20
	2012 (F)	3.50
	2013 (F)	3.75
5 Year	Q4 2011	5.29
	Change from Q4 2010	-0.02
	2012 (F)	5.30
	2013 (F)	5.54

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q4 2011 data

According to CMHC's base case scenario, posted mortgage rates will remain fl at through most of 2012 and start increasing moderately in late 2012 or early 2013. For 2012, the one-year posted mortgage rate is expected to be in the 3.3 to 3.6 per cent range, while the fi ve-year posted mortgage rate is forecast to be within 5.1 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to be in the 3.3 to 4.1 per cent range, while the fi ve-year posted mortgage rate is forecast to be within 5.1 to 5.9 per cent.

In Detail

Single Starts:

After 2011's decline in single starts, a rebound is expected this year as 18,000 single detached homes will be started in 2012, an 8.7 per cent increase. Moving ahead, however, the rising popularity of more affordable multi-family homes and densification trends will limit gains in this market segment somewhat with 2013 seeing 18,800 units built.

Multiple Starts:

Following a year of sustained construction in 2011, starts of multi-family dwellings will settle back to more sustainable levels over the course of the next two years. For 2012, multiple starts are expected to be about 26,300 units. Given the current supply of condominium tenure apartments on the market and given the lower growth rate of the population aged 75 and over, which will continue to limit demand for retirement (rental apartment) homes, starts of multi-family homes will remain at a similar level in 2013.

Resales:

After recording a slight drop last year, sales recorded by the MLS®[2] system will edge up in the coming years. For 2012, a 1.9 per cent increase is expected to 78,750 resales. In 2013, growth will improve to 3.2 per cent, approximately 81,250 resales.

Prices:

Relatively stable demand for resale homes, combined with rising supply, will take some pressure off prices. With a return to more balanced conditions, price growth in the resale market will moderate to about 2.0 per cent for both 2012 and in 2013, pushing the average MLS® price to $257,300 and $262,500, respectively.

[2] Multiple Listing Service® (MLS®) is a registered trademark owned by the Canadian Real Estate Association.

Quebec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ($)
Gatineau	Q4 2011	5.3	7.1	895.94	Q4 2011	705	195	510	798	233,186
	Q4 2010	-4.1	6.2	851.83	Q4 2010	558	185	373	709	220,926
	Change[1]	9.4	0.9	5.2%	% Change	26.3	5.4	36.7	12.6	5.5
Montréal	Q4 2011	-1.5	8.8	791.90	Q4 2011	6,555	1,123	5,432	8,853	321,049
	Q4 2010	0.8	8.3	771.52	Q4 2010	5,630	1,287	4,343	8,437	306,662
	Change[1]	-2.4	0.5	2.6%	% Change	16.4	-12.7	25.1	4.9	4.7
Québec	Q4 2011	1.6	4.7	772.12	Q4 2011	1,379	285	1,094	1,652	253,337
	Q4 2010	7.3	5.0	784.52	Q4 2010	1,789	312	1,477	1,531	247,463
	Change[1]	-5.7	-0.3	-1.6%	% Change	-22.9	-8.7	-25.9	7.9	2.4
Saguenay	Q4 2011	0.6	5.8	747.54	Q4 2011	190	90	100	272	185,008
	Q4 2010	-5.7	7.9	705.97	Q4 2010	152	73	79	287	172,229
	Change[1]	6.3	-2.1	5.9%	% Change	25.0	23.3	26.6	-5.2	7.4
Sherbrooke	Q4 2011	3.3	6.7	728.76	Q4 2011	378	141	237	395	214,879
	Q4 2010	-1.6	7.5	699.47	Q4 2010	273	113	160	353	219,034
	Change[1]	5.0	-0.8	4.2%	% Change	38.5	24.8	48.1	11.9	-1.9
Trois Rivières	Q4 2011	6.5	9.1	742.34	Q4 2011	413	104	309	216	154,306
	Q4 2010	-0.1	8.3	725.44	Q4 2010	403	83	320	194	155,916
	Change[1]	6.7	0.8	2.3%	% Change	2.5	25.3	-3.4	11.3	-1.0
Quebec	December 11	-1.4	8.7	771.43	Q4 2011	13,105	4,064	9,041	16,979	266,108
	December 10	2.5	7.4	752.59	Q4 2010	12,973	4,282	8,691	16,044	256,455
	Change[1]	-3.9	1.3	2.5%	% Change	1.0	-5.1	4.0	5.8	3.8
Canada	December 11	1.1	7.5	849.02	Q4 2011	52,157	21,647	30,510	95,049	358,104
	December 10	1.8	7.6	829.38	Q4 2010	46,958	20,778	26,180	89,608	344,351
	Change[1]	-0.7	-0.1	2.4%	% Change	11.1	4.2	16.5	6.1	4.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, QFREB by Centris®
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the MLS® sales and average price for Q4, became available after the cut-off date of January 18th 2012. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)											
	2007	2008	2009	2010	2011	2012(F)	2013(F)	2012Q1 (F)	2012Q2 (F)	2012Q3 (F)	2012Q4 (F)
Housing Starts:											
Single	22,177	19,778	17,535	19,549	16,554	18,000	18,800	17,700	17,900	18,100	18,300
%	1.2	-10.8	-11.3	11.5	-15.3	8.7	4.4	4.7	1.1	1.1	1.1
Multiple	26,376	28,123	25,868	31,814	31,833	26,300	26,300	27,000	26,500	26,000	25,500
%	1.6	6.6	-8.0	23.0	0.1	-17.4	0.0	-15.1	-1.9	-1.9	-1.9
Total	48,553	47,901	43,403	51,363	48,387	44,300	45,100	44,700	44,400	44,100	43,800
%	1.4	-1.3	-9.4	18.3	-5.8	-8.4	1.8	-8.2	-0.7	-0.7	-0.7
Existing Home Markets:											
MLS® Sales	80,647	76,753	79,108	80,029	77,268	78,750	81,250	76,500	78,500	80,000	80,000
%	12.6	-4.8	3.1	1.2	-3.4	1.9	3.2	-6.0	2.6	1.9	0.0
MLS® Average Price	207,531	215,320	225,368	241,456	252,159	257,300	262,500	255,000	257,000	258,000	259,000
%	6.3	3.8	4.7	7.1	4.4	2.0	2.0	-0.7	0.8	0.4	0.4

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the MLS(R) sales and average price for Q4, became available after the cut-off date of January 18th 2012. As a result, this data was not considered for the forecast.

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

Quebec Region - Housing Forecast Ranges

	2012			2013		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	44,300	49,600	38,100	45,100	51,000	39,300
Multiple	26,300	29,400	22,600	26,300	29,600	22,700
Single	18,000	20,200	15,500	18,800	21,400	16,600
MLS® Sales	78,750	86,900	69,800	81,250	89,800	72,500
MLS® Average Price ($)	257,300	286,000	230,200	262,500	297,800	232,000
Canada						
Housing Starts	190,000	212,700	164,000	193,800	219,300	168,900
Multiple	107,300	120,000	92,500	107,500	121,000	92,600
Single	82,700	92,700	71,500	86,300	98,300	76,300
MLS® Sales	457,300	504,500	406,000	468,200	517,400	417,600
MLS® Average Price ($)	368,900	410,000	330,000	379,000	430,000	335,000

Sources : CMHC

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Quebec Region Housing Forecast - New Construction

	Housing Starts	2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2011**	YTD 2010**	% chg (2010/2011)
Gatineau	Single-Detached	784	750	-4.3	725	-3.3	784	910	-13.8
	Multiple	1,636	1,650	0.9	1,575	-4.5	1,636	1,777	-7.9
	Total	2,420	2,400	-0.8	2,300	-4.2	2,420	2,687	-9.9
Montréal	Single-Detached	4,653	4,600	-1.1	4,500	-2.2	4,653	5,789	-19.6
	Multiple	18,066	14,800	-18.1	13,500	-8.8	18,066	16,212	11.4
	Total	22,719	19,400	-14.6	18,000	-7.2	22,719	22,001	3.3
Québec	Single-Detached	1,349	1,200	-11.0	1,100	-8.3	1,349	1,768	-23.7
	Multiple	4,096	3,700	-9.7	3,400	-8.1	4,096	4,884	-16.1
	Total	5,445	4,900	-10.0	4,500	-8.2	5,445	6,652	-18.1
Saguenay	Single-Detached	475	375	-21.1	350	-6.7	475	380	25.0
	Multiple	384	525	36.7	350	-33.3	384	403	-4.7
	Total	859	900	4.8	700	-22.2	859	783	9.7
Sherbrooke	Single-Detached	557	525	-5.7	500	-4.8	557	570	-2.3
	Multiple	1,018	1,025	0.7	1,000	-2.4	1,018	1,086	-6.3
	Total	1,575	1,550	-1.6	1,500	-3.2	1,575	1,656	-4.9
Trois Rivières	Single-Detached	335	325	-3.0	325	0.0	335	345	-2.9
	Multiple	779	675	-13.4	600	-11.1	779	1,346	-42.1
	Total	1,114	1,000	-10.2	925	-7.5	1,114	1,691	-34.1

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - December

Quebec Region Housing Forecast - Resale Market

		2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2010*	YTD 2011*	% chg (/)
Gatineau	MLS® Sales[1]	3,859	3,900	1.1	3,875	-0.6	4,238	3,859	-8.9
	MLS® Avg. Price[1]	234,271	246,000	5.0	255,000	3.7	218,620	234,271	7.2
Montreal	MLS® Sales[1]	40,403	41,700	3.2	42,500	1.9	42,299	40,403	-4.5
	MLS® Avg. Price[1]	314,038	322,000	2.5	329,000	2.2	297,588	314,038	5.5
Québec	MLS® Sales[1]	7,209	7,500	4.0	7,600	1.3	7,073	7,209	1.9
	MLS® Avg. Price[1]	247,152	257,000	4.0	267,000	3.9	237,309	247,152	4.1
Saguenay	MLS® Sales[1]	1,358	1,390	2.4	1,420	2.2	1,459	1,358	-6.9
	MLS® Avg. Price[1]	179,033	188,000	5.0	196,000	4.3	168,283	179,033	6.4
Sherbrooke	MLS® Sales[1]	1,762	1,800	2.2	1,750	-2.8	1,730	1,762	1.8
	MLS® Avg. Price[1]	215,724	223,500	3.6	232,000	3.8	204,441	215,724	5.5
Trois Rivieres	MLS® Sales[1]	972	950	-2.3	910	-4.2	933	972	4.2
	MLS® Avg. Price[1]	156,917	163,500	4.2	168,000	2.8	151,953	156,917	3.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).
Sources: CMHC, CREA, QFREB by Centris®, CMHC Forecast 2010-2011

[1] Source for the CMA's : QFREB by Centris®, YTD: January to June

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - December

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2011	Oct 2012(F)	Oct 2011	Oct 2012(F)
Gatineau	2.2	2.1	731	750
Montréal	2.5	2.3	719	730
Québec	1.6	1.8	718	730
Saguenay	1.4	1.4	557	565
Sherbrooke	4.7	4.7	577	590
Trois Rivières	3.9	4.2	547	565
Canada	2.5	2.2	0	0

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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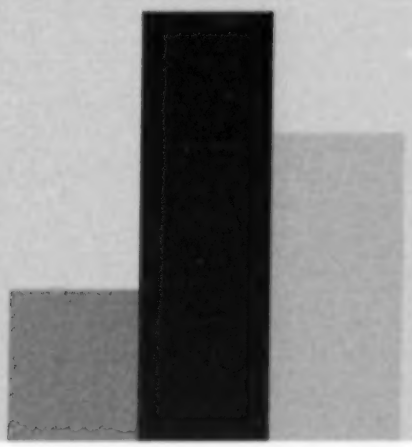

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